

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 18, 2004

IN RE:

**PETITION OF TIME WARNER TELECOM, INC.,
TIME WARNER TELECOM HOLDINGS, INC.
AND TIME WARNER TELECOM OF THE MID-
SOUTH, LLC FOR APPROVAL TO ISSUE DEBT**

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**DOCKET NO.
04-00051**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Deborah Taylor Tate, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this Docket, at the regularly scheduled Authority Conference held on April 12, 2004 to consider the Petition of Time Warner Telecom, Inc. ("TWT"), Time Warner Telecom Holdings, Inc. ("TWT Holdings"), and Time Warner Telecom of the Mid-South, LLC ("TWT TN" - altogether "Time Warner" or the "Petitioners").

Statutory Framework

Tenn. Code Ann. § 65-4-109 states that

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transactions are in accordance with law and the stated purpose meets with the TRA's approval.

Background

TWT TN, a wholly-owned subsidiary of TWT Holdings, was certificated to provide facilities-based telecommunications services in the State of Tennessee in Docket No. 93-02980 on August 24, 1995. TWT Holdings is a direct, wholly-owned subsidiary of TWT.

The Petition

In the Petition, filed with the TRA on February 17, 2004, TWT Holdings is seeking authorization, pursuant to Tenn. Code Ann. § 65-4-109, to issue and sell notes in an aggregate amount of \$400 million and to enter into a revolving credit facility of \$150 million. The obligation under the notes will be guaranteed by state level operating subsidiaries of TWT Holdings, including TWT TN, through a pledge of stock, interests, and assets. The proceeds of these transactions will be used to retire TWT Holdings' existing credit facility and other long term debt, to improve its working capital position, and for other general corporate purposes, including construction of additional facilities and upgrades to exiting facilities and enhancement of business operations. Petitioners propose to benefit TWTC TN through these transactions by improving its competitive position in Tennessee through access to more financial resources.

The April 12, 2004 Authority Conference

At the April 12, 2004 Authority Conference, the Directors recognized the authority of the TRA to consider the impact of these financing transactions on TWTC TN, the company certificated and providing services only in the state of Tennessee, and voted unanimously to approve the financing transactions,¹ based upon a finding of compliance with the requirements of

¹ In the past, the TRA has declined to consider financing transaction filed pursuant to Tenn. Code Ann. § 65-4-109, relying on Tenn Op. Atty Gen No 99-119, which states. "Depending on the specific facts presented, state regulation appears to be proscribed, especially if the facts are such that the application of the state regulation may create a cumulative burden for the utility based on its having similar operations in many states "

Tenn. Code Ann. § 65-4-109, that the proposed financing transactions are in compliance with Tennessee laws over which the TRA has authority and are to be used for a proper purpose.

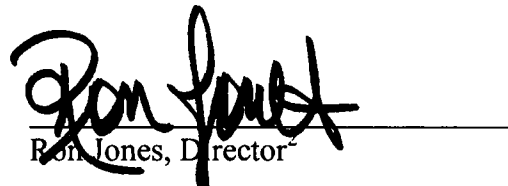
IT IS THEREFORE ORDERED THAT:

1. Time Warner Telecom Holdings, Inc. is authorized to enter into the financing transactions as described in the Petition and discussed herein.

2. The authorization given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring that an analysis or assessment of the risk involved to a purchaser has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.


Deborah Taylor Tate, Chairman


Sara Kyle, Director


Ron Jones, Director

² Director Jones notes that, when deciding to move forward with consideration of this transaction under Tenn Code Ann § 65-4-109, he did not rely solely on the fact that TWT TN operates only in Tennessee. Instead, he provided the following additional grounds for his vote (1) he could not find any federal regulation that prevented the Authority from reviewing this transaction, (2) Petitioners have stated that federal approval is not required and that six other states require approval; (3) Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace, which includes obtaining information on the financial transactions and fitness of companies certificated to provide service in Tennessee; and (4) the burden of compliance with Tenn Code Ann § 65-4-109 is minimal, as such compliance should be perfunctory given the telecommunications industry's movement to a competitive environment.